

TOWNSHIP OF MASTODON

(IRON)

Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF MASTODON	County IRON
Audit Date MARCH 31, 2004	Opinion Date MAY 19, 2004	Date Accountant Report Submitted to State: SEPTEMBER 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

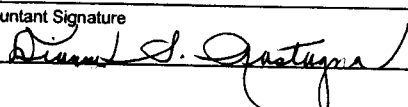
Certified Public Accountant (Firm Name) DS ROSTAGNO, CPA, P.C.			
Street Address 101 WEST MAPLE STREET		City IRON RIVER	State MI
Accountant Signature 		ZIP 49935	Date SEPTEMBER 23, 2004

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

**101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042**

Board of Trustees
Township of Mastodon
PO Box 155
Alpha, Michigan 49902

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Mastodon**, as of and for the fiscal year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Mastodon** at March 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note A, the **Township of Mastodon** has implemented a new financial reporting model, as required by the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 01, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2004 on our consideration of the **Township of Mastodon's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 15 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Mastodon's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 19, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



Mastodon Township

Upper Michigan's Iron County

402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

The management of the **Township of Mastodon** provides this narrative overview and analysis of the financial activities of the **Township of Mastodon** for the fiscal year ended March 31, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, Township property, public safety, public works, and culture and recreation. The business-type activity of the Township is the Water Utility service.



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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general and road funds, both of which are considered major funds. The Liquor Law Enforcement Fund is a non-major governmental fund. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.



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Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.



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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 787,731 at March 31.

By far, the largest portion of the Township's net assets (approximately 65%) is held in the form of cash and cash equivalents. In addition, a substantial percentage (approximately 34%) of the total net assets are in the form of capital assets. These capital assets are used to provide services to citizens and are not available for future spending. It should also be noted that these assets are free of related debt. At March 31, 2004, the Township reported \$ 270,251 in net capital assets.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 338,901 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 783,078 and \$ 4,653, respectively.

Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2004: Although GASB 34 requires that comparative data be presented, since this is the first year of implementation, prior year data is not available. Comparative financial data will be included in this schedule in subsequent years.

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 514721	\$ 5007	\$ 519728
Capital assets, net	<u>270251</u>	<u>0</u>	<u>270251</u>
Total Assets	784972	5007	789979



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Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

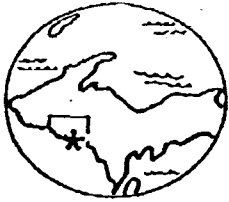
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	1894	354	2248
Total Liabilities	1894	354	2248
Net Assets			
Invested in capital assets, net of related debt	270251	0	270251
Restricted	173926	4653	178579
Unrestricted	338901	0	338901
Total Net Assets	783078	4653	787731

For governmental activities, net assets decreased by \$ 101,397 during the fiscal year. For business-type activities, net assets increased by \$ 260 during the fiscal year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the fiscal year ended March 31, 2004: (Please note that since this is the first year of implementation of GASB 34, prior year financial data is not available, but will be provided in subsequent years).

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program Revenues			
Charges for services	\$ 7776	\$ 3401	\$ 11177
Capital grants	6969		6969
General Revenues			
Property taxes	172500		172500
Other taxes	41174		41174
Unrestricted grants	33740		33740
Other	17792	7	17799
Total Revenues	279951	3408	283359



Mastodon Township

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Government-wide Financial Analysis (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
EXPENSES			
General government	\$ 56625	\$	\$ 56625
Legislative	14908		14908
Township property	24676		24676
Public safety	28024		28024
Public works	216810		216810
Culture and recreation	11191		11191
Depreciation	<u>29114</u>		<u>29114</u>
Total governmental expenses	381348	-0-	381348
Business-type activities:			
Water services		<u>3148</u>	<u>3148</u>
Total business-type expenses	-0-	3148	3148
TOTAL EXPENSES			\$ 384496
Increase (Decrease) in net assets before transfers			(101137)
Transfers - net			0
Increase (Decrease) in Net Assets			(101137)
Net Assets, beginning of year			<u>888868</u>
Net Assets, end of year			\$ <u><u>787731</u></u>



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Governmental Activities

Property taxes and other tax revenues comprise \$ 213,674 or approximately 78 percent of total governmental revenues. And, at fiscal year-end, the Township reported \$ 33,740 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$ 381,348 on governmental programs and services. Some of the largest expense categories were for public works, where \$ 203,436, or 53 percent of total governmental expenditures was used for road repair, \$ 56,625, or 15 percent of the total was used for general government, and \$ 24,676, or 7 percent of total governmental expenditures was used to maintain Township property.

Business-type Activities

Business-type activities increased the Township's net assets by \$ 260. Charges for services for the Water activities for the year ended were \$ 3,401. Total expenses for the Water activities for the year ended were \$ 3,148.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$ 533,098, of which \$ 175,401 is reserved and the remaining \$ 357,697 is available for spending at the government's discretion.



Mastodon Township

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Governmental Funds (Continued)

The Township's primary governmental fund is its general fund. There are reservations for fire equipment in the amount of \$ 2,865 in the General Fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues greater than the final projection. Total expenditures in the General Fund were considerably less than the final projection, while expenditures in the Road Fund were significantly higher than the amount appropriated. At fiscal year-end, the General Fund balance was higher and the Road Fund balance significantly lower than budget.

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes were very close to original and final budgetary projections.
- * State sales tax distributions were up from the final amended budget, coming in at \$ 33,740, which exceeds by \$ 3,740 the budgeted estimates of \$ 30,000.
- * A federal grant in the amount of \$ 6,969 was received for fire equipment, which had not been included in either the original or an amended budget.
- * Expenditures in total for the general fund were \$ 171,669, less than the final amended budget by \$ 58,984. This was largely due to the fact that expenditures for legislative activities, Township Hall expenditures, and fire protection were considerably less than the amounts appropriated for these purposes.

Special revenue funds financial and budgetary highlights of the fiscal year include:

- * Road repair costs incurred during the year were considerably more than the amount budgeted, with actual expenditures of \$ 203,436, compared to the budgeted \$ 27,910.



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Governmental Funds (Continued)

- * Total expenditures in the special revenue funds were \$ 203,759, which is \$ 175,524 more than the budgeted amount of \$ 28,235.

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$ 4,653.

The change in net assets was a gain of \$ 260.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 270,251. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 9,085 or just approximately 1.3 percent of the estimated original cost of total assets. All infrastructure is accounted for in the General Fund, and consists of sewer mains and lines.

A major capital event during the current fiscal year included:

- * Installation of sewer lines servicing the Township Hall.



Mastodon Township

Upper Michigan's Iron County

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Capital Assets and Debt Administration (Continued)

Long-term debt

The Township has no long-term debt at March 31, 2004.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no outstanding general obligation debt, this is not a concern to the Township.

Other Economic Factors and Next Year's Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. At this point, it is unknown how this will translate into reduced funding at the Township level. This is a budgetary concern, however, since the state's sales tax distribution is a large revenue item for the Township.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township's fiscal year 2004-2005 general fund budget is \$ 252,838 representing a modest increase from the previous fiscal year.

Significant plans and major priorities for the Township for the 2004-2005 fiscal year include:

- * Replacing the Township's 15-year old computers with updated equipment, replacing the old, out-dated software with new software, and installing a new countertop to improve the current work area.



Mastodon Township

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Other Economic Factors and Next Year's Budget (Continued)

Economic Factors (Continued)

- * Passing a 1.5 mill increase for a period of three years to finance the construction of a new fire hall. This was defeated two years ago by a very narrow margin, and will be taken back to the voters on August 3rd.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Mastodon Township
Alpha, Michigan 49902

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MASTODON

STATEMENT OF NET ASSETS

MARCH 31, 2004

	PRIMARY GOVERNMENT		TOTALS
	GOVERNMENTAL	BUSINESS-	REPORTING
	ACTIVITIES	TYPE	ENTITY
		ACTIVITIES	
ASSETS			
Current Assets			
Cash and Cash Equivalents (Note C)	\$ 505973	\$ 4889	\$ 510862
Receivables			
Taxes	8748		8748
Accounts Receivable	0	118	118
Due from Other Governmental Units	0	0	0
Total Current Assets	514721	5007	519728
Noncurrent Assets			
Capital Assets, Net (Note H)	270251	0	270251
Total Noncurrent Assets	270251	0	270251
TOTAL ASSETS	784972	5007	789979
LIABILITIES			
Current Liabilities			
Accounts Payable	0		0
Accrued Taxes	1294		1294
Deferred Revenue	600	354	954
Total Current Liabilities	1894	354	2248
TOTAL LIABILITIES	1894	354	2248
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	270251	0	270251
Restricted for Fire Equipment	2865		2865
Restricted for Road Repair	171061		171061
Restricted for Liquor Law Enforcement	0		0
Restricted for Water Fund Repairs/Improvements		4653	4653
Unrestricted	338901		338901
TOTAL NET ASSETS	\$ 783078	\$ 4653	\$ 787731

The notes to the financial statements are integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICE</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>
Primary Government -	\$	\$	\$	\$
General government	56625	1192		
Legislative	14908			
Township property	24676	1366		
Public safety	28024	5218		6969
Public works	216810			
Culture and recreation	11191			
Depreciation (Unallocated)	<u>29114</u>			
Total Governmental Activities	381348	7776	0	6969
 <u>Business-type Activities</u>				
Water	<u>3148</u>	<u>3401</u>		
Total Business-type Activities	3148	3401	0	0

General Revenues:

Taxes:
 Property taxes levied for general operations
 Property taxes levied for road repair
 Other taxes and fees
 State Sales Tax Distribution
 Sale of Property
 Interest and Investment Earnings
 Other

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

TOWNSHIP OF MASTODON

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$	\$	\$
(55433)		(55433)
(14908)		(14908)
(23310)		(23310)
(15837)		(15837)
(216810)		(216810)
(11191)		(11191)
<u>(29114)</u>		<u>(29114)</u>
(366603)	-0-	(366603)
	<u>253</u>	<u>253</u>
-0-	253	(366350)
110489		110489
62011		62011
41174		41174
33740		33740
0		0
9529	7	9536
<u>8263</u>		<u>8263</u>
<u>265206</u>	<u>7</u>	<u>265213</u>
(101397)	260	(101137)
884475	4393	888868
\$ <u>783078</u>	\$ <u>4653</u>	\$ <u>787731</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Investments (Note C)	\$	\$	\$	\$
Unrestricted	338314	168008	(349)	505973
Receivables:				
Taxes	5695	3053		8748
Accounts Receivable	0		0	0
Due from Other Funds	19262	1038	793	21093
TOTAL ASSETS	\$ 363271	\$ 172099	\$ 444	\$ 535814
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accrued Taxes	1287		7	1294
Accounts Payable	0			0
Deferred Revenue	600			600
Due to Other Funds	822			822
TOTAL LIABILITIES	2709	0	7	2716
<u>FUND BALANCES</u>				
Reserved for Fire Equipment	2865			2865
Reserved for Road Repair		172099		172099
Reserved for Liquor Law Enforcement			437	437
Unreserved and undesignated	357697			357697
TOTAL FUND BALANCES	360562	172099	437	533098
TOTAL LIABILITIES AND FUND BALANCES	\$ 363271	\$ 172099	\$ 444	\$ 535814

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**

MARCH 31, 2004

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$ 533098

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

 The cost of capital assets is:

672643

 Accumulated depreciation is:

(402392)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

 Bonds payable

0

 Compensated Absences

0

Other long-term assets not available to pay current period expenditures therefore deferred in the funds

0

Accrued interest is not included as a liability in governmental funds

0

Amounts due to other non-governmental funds are not reported in the government-wide financial statements

(20271)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

\$ 783078

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<u>REVENUE</u>				
General Property taxes	\$ 110489	\$ 62011	\$	\$ 172500
Other local taxes	30209	999		31208
Fees/Penalties/Interest on taxes	14854			14854
Licenses, permits, and fees	1192			1192
Sale of property	0			0
Use of money and property	6047	4848		10895
Charges for services	0			0
Miscellaneous	7150	1113		8263
Recovered costs	0			0
Intergovernmental	40709		330	41039
TOTAL REVENUE	\$ 210650	\$ 68971	\$ 330	\$ 279951
<u>EXPENDITURES</u>				
Current Operating				
General government	56625			56625
Legislative	14908			14908
Township property	24676			24676
Public safety	27701			28024
Public works	13374	203436	323	216810
Culture and recreation	11191			11191
Community development	0			0
Capital outlay	23194			23194
Intergovernmental Payments	0			0
TOTAL EXPENDITURES	171669	203436	323	375428
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38981	(134465)	7	(95477)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
NET CHANGE IN FUND BALANCES	38981	(134465)	7	(95477)
FUND BALANCES - BEGINNING OF YEAR	321581	306564	430	628575
FUND BALANCES - END OF YEAR	\$ <u>360562</u>	\$ <u>172099</u>	\$ <u>437</u>	\$ <u>533098</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (95477)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

(29114)

Capital Outlay

23194

Total

(5920)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (101397)

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND

MARCH 31, 2004

		WATER FUND
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash, unrestricted	\$	4889
Receivables, net accounts		118
Due from other funds		<u>0</u>
Total Current Assets		5007
 TOTAL ASSETS		 5007
 <u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Due to other funds		0
Deferred revenues		<u>354</u>
Total Current Liabilities		354
 TOTAL LIABILITIES		 354
 <u>NET ASSETS</u>		
Restricted for repairs/improvements		4653
Unrestricted		<u>0</u>
TOTAL NET ASSETS	\$	4653

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND

MARCH 31, 2004

	WATER FUND
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 3401
Miscellaneous	<u>0</u>
TOTAL OPERATING REVENUES	3401
 <u>OPERATING EXPENSES</u>	
Personal Services and Benefits	120
Contractual Services	1320
Repairs and Maintenance	146
Other Supplies and Expenses	1558
Administrative Expenses	0
Depreciation	0
Miscellaneous	<u>4</u>
TOTAL OPERATING EXPENSES	3148
 OPERATING INCOME (LOSS)	 253
 NON-OPERATING REVENUES (EXPENSES)	
Interest Revenue	 <u>7</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	7
 CHANGE IN NET ASSETS	 260
 NET ASSETS, APRIL 01	 4393
NET ASSETS, MARCH 31	\$ <u>4653</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 3755
Other operating revenues	0
Cash payments to employees for services	0
Cash payments for goods and services	(3148)
Other operating expenses	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	607

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	0
Net operating transfers in (out)	<u>0</u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	0

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	0
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowing	0
Contributed capital grants	<u>0</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	0

INVESTING ACTIVITIES

Interest income	<u>7</u>
NET CASH FROM INVESTING ACTIVITIES	7

NET INCREASE (DECREASE) IN CASH AND
CASH EQUIVALENTS

614

Cash and Cash Equivalents, Beginning of Year	<u>4275</u>
Cash and Cash Equivalents, End of Year	\$ 4889

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM OPERATING
ACTIVITIES

Operating Income (Loss)	\$	253
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation		0
. Provision for uncollectible accounts		0
. Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable		203
Increase (Decrease) in accounts payable		0
Increase (Decrease) in deferred revenue		151
Increase (Decrease) in customer deposits		<u>0</u>
NET ADJUSTMENTS		<u>354</u>
NET CASH FROM OPERATING ACTIVITIES	\$	<u>607</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2004

	AGENCY FUND
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 38028
TOTAL ASSETS	38028
 <u>LIABILITIES</u>	
Due to Other Funds	20271
Due to Other Governmental Units	17757
TOTAL LIABILITIES	38028
 NET ASSETS	\$ 0

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL
STATEMENTS**

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **Township of Mastodon**, Alpha, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **Township of Mastodon** covers an area of approximately 83789 acres. The Township operates under an elected Council (5 members) and provides services to approximately 435 residents in many areas including law enforcement protection, general administration, and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the **Township of Mastodon**.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

***Government-wide financial statements
(Continued)***

The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary comparison schedule

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules (Continued)
Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government entities for which the government is considered to be financially accountable.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The General Fund is always considered a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Liquor Law Enforcement and Road Repair funds are Special Revenue Funds.

The Road Repair fund is considered a major fund for reporting purposes. The Liquor Law Enforcement fund is considered a non-major fund for reporting purposes.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

There is no debt service fund for the Township.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

There is no capital projects fund for the Township.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Township's Water Fund is an Enterprise Fund.

For reporting purposes, the Water Fund is not considered to be a major fund.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. The Township's Current Tax Collection Fund is a Fiduciary Fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as interfund accounts receivable and payable in the financial statements. These interfund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The Township has a reserved fund balance at March 31, 2004 as follows:

\$ 172,099 is reserved for the maintenance and improvement of Township roads in the Road Fund.

\$ 2,865 is reserved for the purpose of fire equipment in the General Fund.

\$ 437 is reserved for Liquor Law Enforcement in the Liquor Law Enforcement Fund.

\$ 4,653 is reserved for Water Fund repairs and improvements in the Water Fund.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting purposes.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING
(Continued)

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

The delinquent real property taxes of the Township of Mastodon are purchased by the County of Iron.

The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year. Taxes are assessed July 01 of each year and become delinquent February 15 of the following year. The Township has a Taxable Valuation of \$ 42,128,009.

Ad valorem taxes levied consisted of 2.62210 mills to finance the general Township operations and 1.47210 mills for the maintenance and improvement of Township roads.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Buildings..... 20 - 30 years

Infrastructure..... 10 - 65 years

Furniture and Other

Equipment..... 5 - 20 years

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Equipment..... 5 - 20 years

Land Improvements..... 20 years

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick pay.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INTERFUND ACTIVITIES

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

The amounts of the interfund receivables and payables as of March 31, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 19262	\$ 822
Liquor Law		
Enforcement	793	0
Road	<u>1038</u>	<u>20271</u>
Totals	\$ <u>21093</u>	\$ <u>21093</u>

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2004, the carrying value of the Township's deposits (Primary Government) was \$ 548,890 and is comprised of cash and deposits reflected in the following funds:

Governmental Funds	
General Fund	\$ 338314
Road Fund	168008
Liquor Law Enforcement Fund	<u>(349)</u>
Total Governmental Funds	505973
Enterprise Funds	
Water Fund	<u>4889</u>
Total Enterprise Funds	4889
Fiduciary Funds	
Tax Collection Fund	<u>38028</u>
Total Fiduciary Funds	38028
Total Primary Government	\$ 548890

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

- | | |
|------------|--|
| Category 1 | Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name. |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name. |
| Category 3 | Deposits which are not collateralized or insured. |

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Based on these levels of risk, the Township's cash deposits (Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 307656	\$ -0-	\$ 241234	\$ 548890

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

The Township has no pension plan.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The Township of Mastodon's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

The approved budgets of the Township of Mastodon were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2003-2004 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 175,526 contrary to the provisions of section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u>			
Public Safety	\$ 203436	\$ 27910	\$ 175526

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2004, the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2004:

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	3228	0	0	3228
Total Capital Assets Not Being Depreciated	\$ 3228	\$ 0	\$ 0	\$ 3228
<u>Other Capital Assets</u>				
Buildings	202082	0	0	202082
Furniture & Other Equip.	444139	14109	0	458248
Sewer Mains/Lines	0	9085	0	9085
Total Other Cap. Assets	\$ 646221	\$ 23194	\$ 0	\$ 669415
<u>Less Accumulated Depreciation for:</u>				
Buildings	(89816)	(5007)	0	(94823)
Furniture & Other Equip.	(283462)	(24101)	0	(307563)
Sewer Mains/Lines	0	(6)	0	(6)
Total Accum. Depreciation	(373278)	(29114)	0	(402392)
Other Capital Assets, Net	272943	(5920)	0	267023
TOTAL ASSETS	\$ 276171	\$ (5920)	\$ 0	\$ 270251

Depreciation was charged to governmental functions as allocated.

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

There are no capital assets or depreciation for the business-type activities for the fiscal year ended March 31, 2004.

NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township for the fiscal year ended March 31, 2004.

NOTE J - SEGMENT INFORMATION - Enterprise Fund

		Water Fund
Operating Revenues	\$	3401
Depreciation and Amortization Expense		0
Operating Income or (Loss)		0
Operating Grants, Entitlements, and Shared Revenues		0

(Continued on page 74)

TOWNSHIP OF MASTODON

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

		<u>Water Fund</u>
Operating Transfers:	\$	
In		0
(Out)		0
Tax Revenues		0
Net Income or Loss		260
Current Capital:		
Contributions		0
Transfers		0
Property, Plant, and Equipment		
Additions		0
Deletions		0
Net Working Capital		4653
Total Assets		5007
Bonds and Other Long Term		
Liabilities		
Payable from operating Revenue		0
Payable from Other Sources		0
Total Equity	\$	4653

TOWNSHIP OF MASTODON

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE K - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2004, there were no subsequent events that would have a significant effect on the Township's operations.

NOTE L - COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to be reported for the **Township of Mastodon** for the fiscal year ended March 31, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF MASTODON

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
General property taxes	\$ 106393	\$ 106393	\$ 110489
Other local taxes	32663	32663	30209
Tax collection and administration fees	18926	18926	14854
Licenses, permits, and fees	1674	1674	1192
Sale of property	0	0	0
Use of money and property	6468	6468	6047
Miscellaneous	4000	4000	7150
Intergovernmental	<u>30000</u>	<u>30000</u>	<u>40709</u>
TOTAL REVENUES	200124	200124	210650
<u>EXPENDITURES</u>			
General government	69882	69882	56625
Legislative	27410	27410	14908
Township property	35425	35425	24676
Public works	17945	17945	13374
Public safety	40897	40897	27701
Parks and recreation	15035	15035	11191
Capital Outlay	<u>24059</u>	<u>24059</u>	<u>23194</u>
TOTAL EXPENDITURES	230653	230653	171669
NET CHANGE IN FUND BALANCE	(30529)	(30529)	38981
FUND BALANCE, APRIL 01	321581	321581	321581
FUND BALANCE, MARCH 31	\$ 291052	\$ 291052	\$ 360562

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD REPAIR FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
Property taxes	\$ 60721	\$ 60721	\$ 62011
Other local taxes	1030	1030	999
Use of money and property	13505	13505	4848
Miscellaneous	<u>100</u>	<u>100</u>	<u>1113</u>
TOTAL REVENUES	75356	75356	68971
 <u>EXPENDITURES</u>			
Public works	<u>27910</u>	<u>27910</u>	<u>203436</u>
TOTAL EXPENDITURES	27910	27910	203436
 NET CHANGE IN FUND BALANCE	 47446	 47446	 (134465)
 FUND BALANCE, APRIL 01	 306564	 306564	 306564
FUND BALANCE, MARCH 31	\$ 354010	\$ 354010	\$ 172099

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF MASTODON

OTHER SUPPLEMENTAL INFORMATION
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2004

	<u>LIQUOR LAW ENFORCEMENT FUND</u>
<u>ASSETS</u>	
Cash and Investments (Note C)	\$ (349)
Due from Other Funds	<u>793</u>
TOTAL ASSETS	\$ <u>444</u>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accrued payroll taxes	<u>7</u>
TOTAL LIABILITIES	7
<u>FUND BALANCES</u>	
Reserved for Liquor Law Enforcement	<u>437</u>
TOTAL FUND BALANCES	437
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>444</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUND

MARCH 31, 2004

<u>REVENUE</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>
Intergovernmental	\$ 330
TOTAL REVENUE	\$ 330
 <u>EXPENDITURES</u>	
Current:	
Public safety	323
TOTAL EXPENDITURES	\$ 323
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 7
 FUND BALANCE - BEGINNING OF YEAR	 430
FUND BALANCES - END OF YEAR	\$ 437

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

MARCH 31, 2004

	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>TOWNSHIP ROAD FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Deposits	\$ (349)	\$ 168008	\$ 167659
Taxes Receivable		3053	3053
Due from Other Funds	<u>793</u>	<u>1038</u>	<u>1831</u>
TOTAL ASSETS	<u><u>444</u></u>	<u><u>172099</u></u>	<u><u>172543</u></u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accrued Payroll Taxes	<u>7</u>	<u>-0-</u>	<u>7</u>
Total Liabilities	<u>7</u>	<u>-0-</u>	<u>7</u>
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Liquor Law Enforcement	437		437
Fund Balance - Reserved for Road, Maintenance and Improvement	<u> </u>	<u>172099</u>	<u>172099</u>
Total Fund Equity	<u><u>437</u></u>	<u><u>172099</u></u>	<u><u>172536</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 444</u></u>	<u><u>\$ 172099</u></u>	<u><u>\$ 172543</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED MARCH 31, 2004

	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>TOWNSHIP ROAD FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>			
Taxes	\$	\$ 63010	\$ 63010
State Grant	330		330
Interest		4848	4848
Miscellaneous		<u>1113</u>	<u>1113</u>
Total Revenues	330	68971	69301
<u>EXPENDITURES</u>			
Public Safety	323		323
Public Works		<u>203436</u>	<u>203436</u>
Total Expenditures	323	203436	203759
Excess of Revenues Over (Under) Expenditures	7	(134465)	(134458)
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7	(134465)	(134458)
FUND BALANCE, APRIL 01	<u>430</u>	<u>306564</u>	<u>306994</u>
FUND BALANCE, MARCH 31	\$ <u><u>437</u></u>	\$ <u><u>172099</u></u>	\$ <u><u>172536</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**BALANCE SHEET
GENERAL FUND**

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ 338314
Delinquent Taxes Receivable	5437
Assessments Receivable	258
Due from Other Funds:	
Tax Collection Fund	<u>19262</u>

TOTAL ASSETS

\$ 363271

LIABILITIES AND FUND EQUITY

LIABILITIES

Deposits	
Accounts Payable	\$ 600
Accrued Taxes	0
Due to Other Funds:	1287
Liquor Law Enforcement Fund	
Road Fund	793
	<u>29</u>

Total Liabilities

2709

FUND EQUITY

Fund Balance - Reserved for Fire Equipment	2865
Fund Balance - Unreserved, Undesignated	<u>357697</u>

Total Fund Equity

360562

TOTAL LIABILITIES AND FUND EQUITY

\$ 363271

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUE - ACTUAL AND BUDGET
GENERAL FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LOCAL REVENUES</u>			
<u>TAXES</u>			
Current Property Taxes	\$ 110489	\$ 106393	\$
Tax Collection and Administrative Fees	14854	18926	
State Payment in Lieu of Taxes	20779	20779	
Commercial Forest Reserve/Other Taxes	4542	7353	
Lake Mary - Fire Assessment	<u>4888</u>	<u>4531</u>	
Total Taxes	155552	157982	(2430)
 <u>LICENSE AND PERMITS</u>			
Zoning, Etc.	<u>1192</u>	<u>1674</u>	
Total License and Permits	1192	1674	(482)
 <u>INTEREST AND RENTS</u>			
Interest	4681	4468	
Rents	<u>1366</u>	<u>2000</u>	
Total Interest and Rents	6047	6468	(421)
 <u>OTHER</u>			
Miscellaneous	<u>7150</u>	<u>4000</u>	<u>3150</u>
Total Other	<u>7150</u>	<u>4000</u>	<u>3150</u>
TOTAL LOCAL REVENUES	\$ 169941	\$ 170124	\$ (183)
 <u>STATE REVENUE</u>			
<u>STATE GRANTS</u>			
State Revenue Sharing:			
State Tax	<u>33740</u>	<u>30000</u>	<u>3740</u>
Total State Grants	33740	30000	3740
 <u>FEDERAL REVENUE</u>			
Federal Pass Thru Grant	<u>6969</u>		<u>6969</u>
Total Federal Pass Thru Grant	6969	0	6969
 TOTAL REVENUES	\$ <u>210650</u>	\$ <u>200124</u>	\$ <u>10526</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LEGISLATIVE:			
<i>Township Board:</i>			
Salaries and Benefits	\$ 1890	\$	\$
Telephone	1456		
Supplies/Postage	2252		
Legal and Audit	2829		
Printing and Publishing	144		
Contract Services	1442		
Insurance	3620		
Dues	696		
Miscellaneous	<u>579</u>		
TOTAL LEGISLATIVE	\$ 14908	\$ 27410	\$ 12502
 GENERAL GOVERNMENT:			
<i>Supervisor:</i>			
Salaries and Benefits	9043		
Supplies	37		
Miscellaneous	<u>25</u>		
Total Supervisor	9105	9300	195
 <i>Assessor:</i>			
Supplies	640		
Contracted Service	12162		
Education and Seminars	0		
Other Expenditures	<u>1048</u>		
Total Assessor	13850	15100	1250
 <i>Elections:</i>			
Wages and Benefits	486		
Printing, Publishing, and Supplies	32		
Miscellaneous	<u>76</u>		
Total Elections	594	2000	1406
 <i>Clerk:</i>			
Salaries and Benefits	10334		
Deputy Wages and Benefits	59		
Supplies	77		
Travel	<u>45</u>		
Total Clerk	\$ 10515	\$ 10760	\$ 245

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT: (CONTINUED)			
<i>Treasurer:</i>			
Salaries and Benefits	\$ 11073	\$	\$
Deputy Wages and Benefits	170		
Supplies	1803		
Tax Collection	433		
Travel and Miscellaneous	713		
Printing/Publishing	73		
Education and Seminars	0		
Total Treasurer	14265	16762	2497
<i>Board of Review:</i>			
Salaries and Benefits	379		
Printing/Publishing	38		
Education and Seminars	0		
Miscellaneous	30		
Total Board of Review	447	1360	913
<i>Zoning Board:</i>			
Salary and Benefits	4981		
Travel	107		
Postage and Supplies	55		
Contracted Services	101		
Printing/Publishing	134		
Miscellaneous	99		
Education and Seminars	60		
Total Zoning Board	5537	12200	6663
<i>Cemetery:</i>			
Contract Services	2312		
Total Cemetery	2312	2400	88
TOTAL GENERAL GOVERNMENT	\$ 56625	\$ 69882	\$ 13257
TOWNSHIP PROPERTY			
<i>Township Hall:</i>			
Salaries and Benefits	9955		
Repairs and Maintenance	1643		
Utilities	10150		
Miscellaneous	654		
Supplies	466		
Insurance	1808		
Printing/Publishing	0		
Contracted Services	0		
TOTAL TOWNSHIP PROPERTY	\$ 24676	\$ 35425	\$ 10749

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
PUBLIC WORKS			
Garage/Equipment:	\$	\$	\$
Salaries and Benefits	6189		
Supplies/Repairs/Maintenance	796		
Fuel, Gas, and Oil	618		
Utilities	3387		
Insurance	0		
Other	0		
Total Garage/Equipment	10990	14445	3455
Street Lighting	2384	3500	1116
TOTAL PUBLIC WORKS	13374	17945	4571
PUBLIC SAFETY			
FIRE			
Wages and Benefits	2648		
Supplies	7178		
Contract Service	4740		
Utilities	4769		
Maintenance and Repairs	700		
Fuel, Gas, and Oil	459		
Telephone	834		
Education and Seminars	760		
Insurance	4939		
Travel and Miscellaneous	674		
TOTAL PUBLIC SAFETY	27701	40897	13196
PARKS AND RECREATION			
Wages and Benefits	5540		
Insurance	1135		
Utilities	1512		
Telephone	246		
Repair and Maintenance	100		
Supplies	0		
Contracted Services	2343		
Other	315		
TOTAL PARKS AND RECREATION	11191	15035	3844
CAPITAL OUTLAY	23194	24059	865
TOTAL EXPENDITURES	\$ <u>171669</u>	\$ <u>230653</u>	\$ <u>58984</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ (349)
Due from General Fund	<u>793</u>

TOTAL ASSETS	\$ <u>444</u>
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LIABILITIES

Accrued Payroll Taxes	<u>7</u>
TOTAL LIABILITIES	7

FUND EQUITY

Fund Balance, Reserved for Liquor Law Enforcement	<u>437</u>
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TOTAL FUND EQUITY	437
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TOTAL LIABILITIES AND FUND EQUITY	\$ <u>444</u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

ACTUAL AND BUDGET
LIQUOR LAW ENFORCEMENT FUND

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Grant:			
License Fee	\$ <u>330</u>	\$ <u>335</u>	\$ <u>(5)</u>
TOTAL REVENUES	330	335	(5)
<u>EXPENDITURES</u>			
Public Safety:			
Constable Wages	300		
Fringe Benefits	<u>23</u>	—	—
TOTAL EXPENDITURES	<u>323</u>	325	2
Excess of Revenues Over (Under) Expenditures	7	10	(3)
Other Financing Sources (Uses)			
Transfer In	<u>0</u>	—	—
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	7	10	(3)
FUND BALANCE, APRIL 1	<u>430</u>		
FUND BALANCE, MARCH 31	\$ <u>437</u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET
TOWNSHIP ROAD FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ 168008
Delinquent Taxes Receivable	3053
Due from Trust and Agency Fund	1009
Due from General Fund	<u>29</u>
TOTAL ASSETS	\$ <u>172099</u>

FUND EQUITY

Fund Balance - Reserved for Township Road Maintenance and Improvement	<u>172099</u>
TOTAL FUND EQUITY	\$ <u>172099</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

ACTUAL AND BUDGET
TOWNSHIP ROAD FUND

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Taxes:			
Current Property Taxes	\$ 62011	\$	\$
Commercial Forest Reserve	999		
Interest	4848		
Miscellaneous Revenue	<u>1113</u>	<u> </u>	<u> </u>
TOTAL REVENUES	68971	75356	(6385)
 <u>EXPENDITURES</u>			
Public Works:			
Contracted Services	203436		
Other	<u>0</u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>203436</u>	<u>27910</u>	<u>(175526)</u>
 Excess of Revenues Over (Under) Expenditures	 (134465)	 47446	 (181911)
 FUND BALANCE, APRIL 1	 <u>306564</u>		
FUND BALANCE, MARCH 31	\$ <u><u>172099</u></u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET
WATER FUND

MARCH 31, 2004

	<u>WATER FUND</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash, unrestricted	\$ 4889
Accounts Receivable, net	118
Due from Other Funds	<u>0</u>
<i>Total Current Assets</i>	5007
 TOTAL ASSETS	 \$ <u>5007</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Due to Other Funds	0
Deferred revenues	<u>354</u>
<i>Total Current Liabilities</i>	354
 TOTAL LIABILITIES	 354
 <u>FUND EQUITY</u>	
Restricted for water system repairs/improvements	4653
Unrestricted	<u>0</u>
TOTAL FUND EQUITY	4653
 TOTAL LIABILITIES AND FUND EQUITY	 \$ <u>5007</u>

The notes to the financial statements is an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WATER FUND**

YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for services	\$ 3401
Miscellaneous	<u>0</u>
TOTAL OPERATING REVENUES	3401
<u>OPERATING EXPENSES</u>	
Personal Services and Benefits	120
Contractual Services	1320
Repairs and Maintenance	146
Other Supplies and Expenses	1558
Administrative Expenses	0
Depreciation	0
Miscellaneous	<u>4</u>
TOTAL OPERATING EXPENSES	3148
OPERATING INCOME (LOSS)	253
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	<u>7</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	7
NET INCOME (LOSS)	260
RETAINED EARNINGS, APRIL 01	4393
RETAINED EARNINGS, MARCH 31	\$ <u><u>4653</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	BALANCE March 31, 2003	Additions	Deductions	BALANCE March 31, 2004
<u>ASSETS</u>				
Cash	\$ <u>39364</u>	\$ <u>1687828</u>	\$ <u>1689164</u>	\$ <u>38028</u>
TOTAL ASSETS	\$ <u>39364</u>	\$ <u>1687828</u>	\$ <u>1689164</u>	\$ <u>38028</u>
 <u>LIABILITIES</u>				
Due to Township	\$ 20347	\$ 195966	\$ 196042	\$ 20271
Due to Forest Park Schools	2645	703693	704217	2121
Due to Iron County	2176	689299	689967	1508
Due to Dickinson Iron School District	1063	85754	85813	1004
Due to State of Michigan	0	12634	12634	0
Due to Other	0	482	482	0
Due to Other - CFR	<u>13133</u>	<u>0</u>	<u>9</u>	<u>13124</u>
TOTAL LIABILITIES	\$ <u>39364</u>	\$ <u>1687828</u>	\$ <u>1689164</u>	\$ <u>38028</u>

The notes to the financial statements are an integral part of this report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Township of Mastodon
Alpha, Michigan 49902

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended March 31, 2004, which collectively comprise the Township of Mastodon's financial statements, and have issued our report thereon dated May 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Township of Mastodon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Mastodon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **Township of Mastodon**, Alpha, Michigan, in a separate letter dated May 19, 2004.

This report is intended for the information of the board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 19, 2004

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

May 19, 2004

Governing Board
Township of Mastodon
P.O. Box 155
Alpha, Michigan 49902

I have audited the financial statements of the **Township of Mastodon** for the year ended March 31, 2004, and have issued my report thereon dated May 19, 2004. Professional standards require that I provide you with the following information related to the audit:

My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated December 07, 2000, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of the **Township of Mastodon**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the **Township of Mastodon's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **Township of Mastodon** are described in the Note to the financial statements. With the exception of the implementation of GASB 34, there were no other new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the **Township of Mastodon** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by the **Township of Mastodon** that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgment, either individually or in the aggregate, have a significant effect on the **Township of Mastodon's** financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Page Three

Issues Discussed Prior to Retention of Independent Auditors


I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the **Township of Mastodon's** auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the **Township of Mastodon** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board
Township of Mastodon
Alpha, Michigan 49902

In planning and performing the audit of the financial statements of the **Township of Mastodon**, I considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect my report dated May 19, 2004 on the financial statements of the **Township of Mastodon**. I will review the status of these comments during my next audit engagement. My comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. My comments are summarized as follows:

BUDGETS

Problem

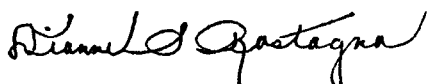
During the fiscal year ended March 31, 2004, the Township incurred an expenditure which was in excess of the amount appropriated.

Recommendation

It was recommended that, periodically, budgeted amounts be compared to actual expenditures and the budget amended accordingly.

I wish to express my appreciation for the Township officials for their assistance during my audit engagement.

This report is intended solely for the information and use of the Township Board.



Dianne S. Rostagno
DS ROSTAGNO CPA, P.C.

May 19, 2004